

Influence of Talent Management in Enhancing Organization Performance (Evidence from Service Sector Companies in Pakistan)

AURANZEB¹ SANA ARZ BHUTTO²

1. Ph.D. (Economics), LLB, Dean Faculty of Management, Business Administration & Commerce, Sindh Madressatul Islam University

2. M. Phil, Assistant Professor Faculty of Management, Business Administration & Commerce, Sindh Madressatul Islam University

Abstract

Talent management (TM) a new concept in Human resource management, yet it is difficult to measure. The role of TM in enhancing organizational performance is a critical challenge in where the strategic staff is considered as a talent of the organization. The present study aims to measure the influence of TM on organizational performance particularly in service sector companies in Pakistan. The study uses survey method to collect the data from the organization. Descriptive and inferential tests are performed. The results reveal the significant effect of talent management on organizational overall performance. The findings recommend the HR directors to design TM scheme for all levels of employees within organization. The results are useful for preparing strategies for employee attraction, retention, learning & development and career development.

Keywords: Talent management, Human Resource management, organizational performance, service sector

Introduction

Talent is critical success factor for the organizations. Business executives and owners realized that the organization are facing the problem of talent constrains rather than capital constrain (Kehinde, 2012). Organizations have learned that in order to meet the organizational challenges and strategies at any point of time, talent is an important factor in this regard (Gebelein, 2006).

However, the learning about definition and understanding is not important the important issue is that how talent can affect the success and failure of the company in a competitive environment. The researchers have define talent differently, some call it as a process while others as results, and this add confusion to the understanding. Salih & Alnaji 2014 define talent management as the presence of talent in each department of the organization in order to meet the standards in competitive environment and to maximize the returns and productivity and for the improvement of the organizational performance. Organizations also treat talent management differently, some consider it as a source of continuous support while other treat it as an obsession of many senior human resources practitioners. Despite of the different explanations of talent and talent management the researchers have agreed on the four important factors related to talent management. The importance of considering talent management as top priority and maintaining the talent in the organization at any cost (Tulgan, 2002), continuous training and development of the employees on talent polishing, finding and developing talent in the organization and making use of talent as a competitive edge (Berger & Berger, 2004).

Researchers like Paauw (2007), and Fardale et al. (2010) concluded that talent is an important factor of organizational performance and via talent management organization can get competitive advantage in the industry. Guthridge et al (2008) argued that human resource strategies are important factor in terms of defining and maintain talent in the organization. Furthermore, talent management deals with human capital management which consists of people, knowledge and skills. Recent study by Gardner (2002) noted that talent management is a major global challenge confronting most organizations in the world. Due to the limited talent available in the global market organizations are competing to get and retain the talented employees and workers in order to run their operations effectively and continue to grow and profitable at the same time competitive in the industry in terms of services and products. Every organization hold certain assets like products, technology and strategies, they can be replicated easily (Chuai et al, 2010) but the talent cannot be copied and adapted accordingly. It need lot of time and struggle to make adapt the talent according to organizational needs.

With reference to this talent management is an important tool in the organizational learning and development. Talent management can use the process of the organization in dealing with the technology, allocation of resources and performance measurement system. The talent management progress is very important in development and discovering of new talent in the market (Mary, Enyinna & Ezinne, 2015). Additionally, Kehinde (2012) identified that talent management system has failed in most of the organizations because of inadequate planning and in effective management policies, poor process and programs. These strategies have a positive impact on finding, acquiring, and maintain the talented employees and to make use them to get competitive advantage. In order to get competitive advantage and sustainable performance there is need to align all the departments of the

organizations to the organizational performance and improve their functional capacity (Mary, Enyinna & Ezinne, 2015).

Talent consideration is also different across different organization, some organizations think strategic staff as talent while other think that all the staff of the organization is talent. This study, therefore, is to measure the impact of talent management on the organization performance in service sector of Pakistan. Most of the studies examining the relationship between talent management practices and the organization performance have been conducted mostly in other countries therefore the researcher intends to fill the existing gap by carrying the study in Pakistan. The study is limited to the service sector of Pakistan as this sector has gain highest growth in the economy and the economy is flourishing in this sector. Considering the global perspective, Powell et al. (2012), concluded that service sector is becoming major sector of the economy in terms of contribution to growth. Researcher argue that for the competitiveness of the organization and making organization effective in service sector, the human capital and talent is very vital assets (Tarique and Schuler, 2010). This human capital and talent can give competitive edge to the organization in the service industry (Bayyurt & Rizvi, 2015).

Literature Review

Definition of Talent Management

In an attempt to give the correct definition of talent management, several scholars have defined this phenomenon differently making it to be more complex in understanding. Recent study by Tansley (2011) defined talent as “an innate giftedness, which is regarded as a gift”. According to the authors thinking, it is assumed that language learning makes humans to believe that talent is static; however talent can actually be developed, through talent management.

Talent Attraction

Talent attraction is combination of recruitment, selection, employee and employer branding and choice (Armstrong, 2011). This impose that organization use different tools and techniques for the recruitment and selection of employees for effective participation in organizational goals (Armstrong, 2011). Managers should realize that recruiting and developing talented staff is of importance to the success of their business objectives (Lyria, R. K. (2015).

Talent Retention

Talent retention deals with the sustaining employees in the organization and reducing the turn over f the employees (Echols, 2007). Organization around the world are using different strategies to retain the employees by using simulation techniques, and performance assessment like in developed economies Hughes & Rog (2008).

Learning and Development

Davis et al., (2007) noted that the recruitment and development of talented staff was of paramount importance to the success of the business objectives. People in Aid (2013) further emphasized the need for learning and development by saying that organizations which operated in fast-changing environment needed to adapt in order to stay at the forefront. The usefulness of learning and development was acknowledged in these circumstances because staying at the forefront meant organizations acquiring new techniques and skills.

Career Management

Career management is the process in which employees engage themselves in identifying career goals, developing skills and strengths and identifying weaknesses to achieve career goals (Greenhaus et al .,2000). The shortage of employees can be due to the poor career planning and lower employee commitment towards career goals (Gupta, 2008).

Organization Performance

There are different measures of measuring performance like financial, operational, customer satisfaction, and employee satisfaction and retention (Tonga, 2007). The measures of performance are Return on investments (Yeung., et al 2006), quality performance (Fuentus & Montes, 2006), employee morale (Rahman, 2006) respectively.

Theoretical Framework

The framework hereunder illustrates the perceived link between the independent variable (talent management) and the dependent variable the organizational performance The independent variable talent management had talent attraction, talent retention, learning and development and career management as components that make it up (Lyria, 2015, Armstrong, 2011)

Methodology

The main intend of this research is to examine the impact of talent management on organizational performance in service sector of Pakistan. For this purpose, service industry in Pakistan were selected. The hypotheses of the research are;

- H01: There is no significant effect of learning and development and organizational performance in service sector of Pakistan.
- H02: There is no significant relationship between talent attraction and organizational performance in service sector of Pakistan.
- H03: There is no significant relationship between talent retention and organizational performance in service sector of Pakistan.
- H04: There is no significant effect of career management and organizational performance in service sector of Pakistan.

The quantitative approach was used to quantify the hypothesized relationship between dependent and the independent variables (Nicholas, 2011).

The sample size of this study was 384 top managers of service sector companies. The researcher calculated the sample size using the formula given by Mugenda & Mugenda, (2003), (See Appendix). The rationale for choosing top managers was because they are responsible for organization performance of their various companies. The researcher used stratified simple random sampling in order to achieve the desired representation from various sub groups in the service sector listed companies. In order to get equal representation from each stratum, the researcher computed percentage presentation by considering the size of each stratum as a percentage of total population. The researcher then multiplied the percentages of each stratum to get representative proportionate sample from each stratum.

Questionnaires were used to collect the data and were administered using a drop and pick later method. A pilot study was undertaken on 12 top managers of service sector companies to test for the reliability and the validity of the questionnaires.

Data analysis was guided by the research objectives presented. Descriptive statistical analysis was carried out in accordance with the study objectives by use of (SPSS) 22. Goodness of measure was done through testing of reliability and the validity. Cronbach Alpha was used to measure reliability. Multiple regressions analysis was also conducted to find the relationship.

Findings and Discussion

We started general analysis by conducting demographical analysis which is presented in table 1.

Table 1: Demographic Profile

		Frequency	Valid %
Gender	Male	203	53%
	Female	181	47%
	Total	384	100%
Age	below 30	85	22%
	31-40	114	30%
	41-50	131	34%
	above 50	54	14%
	Total	384	100%
education	Graduated	241	68%
	Post Graduated	113	32%
	Total	354	100%
Experience (in Years)	Less than 3 year	51	14%
	Less than 5 years	79	22%
	Less than 10 years	152	43%
	More than 10 years	71	20%
	Total	353	100%

Reliability Analysis

Table 2 shows Cronbach alpha values for talent attraction. From these findings it can be concluded that the construct measured had adequate reliability for the subsequent stages of analysis since the Cronbach Alpha values was greater than 0.7 (Sekaran, 2003).

Table 2: Reliability Analysis

	N of Items	Cronbach alpha
Talent attraction	6	0.761
Talent Retention	7	0.765
Learning & Development	8	0.754
Career development	6	0.776

Correlation analysis

A Bivariate Pearson product-moment correlation test was conducted to analyse the relationship between dependent and independent variables. The results proved that all independent variables are significantly related to dependent variable (see table 3).

Table 3: Correlation Analysis

Variable	Pearson Correlation (r)	Level of Significance
Talent Attraction	.439**	.000
Talent Retention	.460**	.000
Learning & Development	.333**	.000
Career Development	.451	.000

Regression Analysis

To test the hypotheses, multiple regression analysis was conducted to predict the relationships between the variables, based on the relationships that exist between the variables. The dependent and independent variables were entered simultaneously into the regression equation to examine the relationships Table 4.

Table 4: Regression Analysis

Independent Variables	Unstandardized Coefficients	t-stat	P-value
Constant	.321	2.941	.006
Talent Attraction	.371	5.091	.000
Talent Retention	.322	3.981	.000
Learning & Development	.343	3.879	.000
Career Development			
Adjusted R-Square	.417		
F-statistics	43.028		
p value	.000		
Dependent Variable: Employee Performance			

From the model summary in Table 4, it can be observed that the adjusted R square value is 0.417, which means that the independent variables (explains 41.7% of the variance in employee performance). The overall model significance was presented in same table. An F statistic of 43.028 indicated that the overall model was significant. This was supported by a probability value of (0.000)

The coefficients of variables as shown in Table 4 are examined to analyze the variables which best contribute the model. It can be observed that the variable talent attraction reports the highest beta value 0.371 with p value 0.000. The higher the score on this scale signifies a higher effect in employee performance. This concurs with Poorhosseinzadeh et al., (2012) study that found a positive and significant relationship between talent attraction and success in multinational organizations. The findings implied that there could be other components of talent attraction influencing organization performance. The findings are consistent with those of Snell (2007) and Armstrong, (2011).

The second objective of the study was to determine the effect of talent retention on organization performance in service sector of Pakistan. The results reveal that talent retention is statistically significant in explaining organization performance of service sector companies. The study concurs with those of Poorhosseinzader et al., (2012) cross sectional study on multinational companies and with Lyria, (2015) study for *Talent Management on Organizational Performance in Kenya* which also found a positive and significant relationship between talent retention and the success of the companies. The findings implied that service sector companies could significantly benefit from employee retention programs because of a direct effect on an organization performance as discussed by Nzuve, (2007).

The third objective was to establish the effects of learning and development on organizational performance in service sector of Pakistan. The results reveal that learning and development is statistically significant in explaining acceptance of organization performance of listed companies. The study findings are consistent with those of Azara & Syed, (2013) who found a significant and positive association between training and the organization performance. The study also agrees with those of Poorhosseinzader & Subramaniam, (2012)

cross sectional study on Malaysian Multinational companies and with Lyria, (2015) study for *Talent Management on Organizational Performance in Kenya* which found a positive relationship between developing talents and the success of the companies. The findings agree with those in Johnson et al (2012).

The fourth objective of the study was to establish how career management affects organizational performance in the service sector of Pakistan. The results reveal that career management is statistically significant in explaining acceptance of organization performance of the service sector companies. These results are consistent with Yahya, Othman & Meruda (2004) findings which indicated that there was significant and positive relationship between organization career management and performance. The findings imply that career management helps to improve employee skills hence improve the organization performance. The findings agree with Allen (2005).

Conclusions

The study led to the conclusion that components of talent management had positive influence on the organization performance. It may also be concluded that service sector companies have designed different talent retention policies. The study revealed that practices such as the company having policies on employee growth and progression; having established career paths and counselling facilities and retirement preparation programmes contributed positively to organization performance.

Recommendations

On the basis of findings we recommend that organizations should give favourable working conditions to its employees for effective performance. This will attract new potential employees who want to work for career progression. The organizations also need to incorporate different strategies in order to retain employees.

The study suggest that career management methods like having career counselling facilities, career mentors, career planning and career development programs should be widely adopted by service sector firms as doing so would lead to improved performance. It is recommended that management should maintain learning and development practices like learning need identification, coaching and in-house development programs to improve their performance. Overall, it is recommended that talent management practices should be emphasized as doing so brings about superior organizational performance.

Avenue for Further Research

Future studies may use additional components of the variables on organization performance. The study did not use the provision of control variables in the conceptual model and therefore there is an opportunity for other researchers to introduce these variables like the size of the companies and establish whether the findings can be generalized.

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Appendix

(i) Sample Size Calculation

Formula

$$N = \frac{Z^2 pq}{d^2}$$

Here:

n = the desired sample size (If the target population is greater than 10,000)

z = the standard normal deviate at the required confidence level.

P= the proportion in the target population estimated to have characteristics being measured.

q = 1-p

d = the level of statistical significance set.

If there is no estimate available of the proportion in the target population assumed to have the characteristics of interest 50% should be used (Mugenda et al,2003). Z statistics is taken as 1.96 and desired accuracy at the 0.5 level. The sample size is:

$$N = \frac{(1.96)^2 (.50) (.50)}{(.05)^2} = 384$$